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**Centurion Equities  
Corporation**



**1977 Annual Report**







## Centurion Equities Corporation

166 Norfinch Drive  
Downsview, Ontario M3N 1V6  
416/661-6500

### **Board of Directors:**

Nathan Goodman  
Irving B. Goodman  
David Plener  
Tully Grief  
H. L. Mendelson, Q.C.  
Morley Sirlin

### **Officers:**

Nathan Goodman  
*Chairman of the Board*  
Irving B. Goodman  
*President*  
Philip R. Grief, C.A.  
*Secretary-Treasurer*  
David Plener  
*Vice President*

### **Auditors:**

Soberman, Isenbaum & Colomby  
Toronto, Ontario

### **Legal Counsel:**

Goodman & Goodman  
Toronto, Ontario

### **Banker:**

Canadian Imperial Bank of Commerce

### **Transfer Agent and Registrar:**

Royal Trust Company  
Toronto, Ontario

### **Head Office:**

166 Norfinch Drive  
Downsview, Ontario

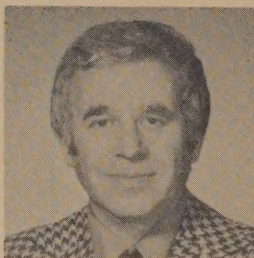
### **Stock Exchange Listing:**

Toronto Stock Exchange (CEC)

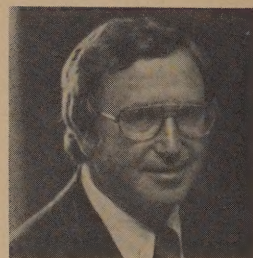


## Centurion Equities Corporation

166 Norfinch Drive  
Downsview, Ontario  
M3N 1V6  
416/661-6500



Nathan Goodman  
Chairman of the Board



Irving B. Goodman  
President

August 31, 1978

To The Shareholders:

A major change is underway for the reorganization of your company. This is the reason for the delay in holding our annual meeting on September 28, 1978 so as to make sure you are fully informed of all the ramifications involved.

On June 28, 1978 Centurion signed an agreement to purchase all the issued and outstanding shares of Doehler Canada Ltd., the largest aluminum and zinc die casting company in Canada. Agreement was reached with N.L. Industries Inc., of New York, the parent company of Doehler Canada Ltd.

An application has been made to the Government of Canada through its Enterprise Development Program to insure 90% of a \$7,000,000 loan from the company's banker to provide funds for this acquisition.

On August 14th, 1978 the Enterprise Development Board approved the Company's application.

The full purchase price will be approximately \$8,500,000. A condition of the insurance guarantee by the Enterprise Development Board is an introduction of \$3,000,000 of new capital, of which Irving B. Goodman will invest \$1,500,000.

Bank financing has been arranged and the closing is scheduled for September 30, 1978.

Centurion began manufacturing aluminum ingots through its wholly owned subsidiary Amcan Alloys Ltd. because of its belief that energy conservation would require lighter automobiles using more aluminum. Centurion is seeking to stabilize its manufacturing base by acquiring a consumer of its product, such as an aluminum die caster. With the acquisition of Doehler, Centurion-Doehler will be engaged in a fully integrated aluminum operation from the collection and recycling of scrap through the manufacture of aluminum ingots to the die casting and distribution of aluminum products for the automotive industry through our Interstate Automotive Division. The combined operation would be more competitive in world markets than the individual non integrated operations.

The die casting business is based on a high degree of technological craft. Doehler is internationally recognized as a leading technological innovator in the die casting business. Centurion-Doehler die casting operations make a logical fit and that the most efficient way to enter the die casting business is through an experienced and successful operation.

Doehler is a custom aluminum and zinc die caster with 40 years experience. Approximately 60% of its \$18 million annual sales are derived from the automotive sector. Doehler employs approximately 350 people in two Ontario plants, one in Guelph and the other in Hamilton. The Hamilton plant supplies General Motors with the automatic transmission case used in several popular GM automobiles. A general custom die casting business is operated in Guelph out of a modern plant.

During 1977 our secondary aluminum ingot manufacturing plant in Boisbriand, Quebec came on stream. A shortage of raw materials coupled with higher start up costs than anticipated was the major reason for the 1977 losses incurred on a consolidated basis.

While the depressed scrap market for most of 1977 accounted for lack of anticipated earnings in Centurion's recycling operations the current market has strengthened considerably.

We look forward to exciting times at Centurion Equities Corporation in the future.

Respectfully submitted,

Irving B. Goodman  
PRESIDENT



# Consolidated statement of earnings

For the year ended December 31, 1977  
(with comparative figures for 1976)

	<u>1977</u>	<u>1976</u>
<b>Income</b>		
Sales	\$8,158,560	\$6,246,826
Interest and other income	<u>252,860</u>	<u>596,231</u>
	<u>8,411,420</u>	<u>6,843,057</u>
<b>Operating costs and expenses</b>		
Cost of goods sold and other operating expenses except for the following:	8,646,517	6,373,189
Interest on long term debt	187,931	266,116
Depreciation and amortization	<u>313,541</u>	<u>168,647</u>
	<u>9,147,989</u>	<u>6,807,952</u>
<b>Earnings (loss) from operations before income taxes and extraordinary item</b>	( 736,569)	35,105
<b>Income taxes — current</b>	<u>1,369</u>	<u>20,304</u>
— deferred	<u>26,880</u>	<u>53,462</u>
	<u>28,249</u>	<u>73,766</u>
<b>Loss before extraordinary item</b>	( 764,818)	( 38,661)
<b>Extraordinary item</b>		
Reduction of income taxes due to application of losses carried forward	<u>24,196</u>	<u>73,578</u>
<b>Net earnings (loss)</b>	<u>( \$ 740,622)</u>	<u>\$ 34,917</u>
<b>Earnings per share (note 7)</b>		
Loss before extraordinary item	( \$ 1.22)	( \$ .06)
Extraordinary item	.04	.12
<b>Net earnings (loss)</b>	<u>( \$ 1.18)</u>	<u>\$ .06</u>

See accompanying notes to consolidated financial statements.

# Consolidated statement of retained earnings

For the year ended December 31, 1977  
(with comparative figures for 1976)

	<u>1977</u>	<u>1976</u>
<b>Balance, beginning of year</b>		
As previously reported	\$2,637,851	\$2,976,309
Prior period adjustment of income taxes	<u>45,258</u>	<u>( 328,117)</u>
As restated	2,683,109	2,648,192
<b>Net earnings (loss)</b>	<u>( 740,622)</u>	<u>34,917</u>
<b>Balance, end of year</b>	<u>\$1,942,487</u>	<u>\$2,683,109</u>

See accompanying notes to consolidated financial statements.

# Consolidated balance sheet

For the year ended December 31, 1977  
(with comparative figures for 1976)

	1977	1976
<b>Assets</b>		
<b>Current</b>		
Accounts receivable	\$ 1,431,127	\$ 658,502
Note receivable	120,095	1,100,000
Income taxes recoverable	43,059	46,962
Inventories	3,483,282	2,325,653
Prepaid expenses and sundry assets	275,389	239,919
	<u>5,352,952</u>	<u>4,371,036</u>
 Grant receivable (note 2)	 155,025	 155,025
Expropriation receivable — City of Winnipeg	536,953	482,953
Note receivable, net of current portion	—	120,095
Fixed (note 3)	3,827,862	3,672,951
Goodwill	1,780,417	1,827,435
	<u>\$11,653,209</u>	<u>\$10,629,495</u>

See accompanying notes to consolidated financial statements.

## Auditors' Report

To the Shareholders of  
Centurion Equities Corporation

We have examined the consolidated balance sheet of Centurion Equities Corporation as at December 31, 1977 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination of the financial statements of Centurion Equities Corporation and those subsidiaries of which we are the auditors was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of the other subsidiary.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada  
March 22, 1978

Soberman, Isenbaum & Colomby  
Chartered Accountants



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	<u>1977</u>	<u>1976</u>
<b>Liabilities</b>		
<b>Current</b>		
Bank indebtedness (note 4)	\$ 3,146,773	\$ 1,522,264
Accounts payable and accrued charges	1,479,219	1,283,595
Current portion of long term debt	88,618	273,507
	<u>4,714,610</u>	<u>3,079,366</u>
Long term debt (note 5)	1,878,273	1,695,884
Deferred income (note 2)	99,044	155,025
Deferred income taxes	10,993	8,309
	<u>6,702,920</u>	<u>4,938,584</u>
<b>Shareholders' equity</b>		
<b>Capital stock (note 6)</b>		
Authorized — 2,000,000 shares without par value		
Issued — 626,607 shares	3,007,802	3,007,802
Retained earnings	1,942,487	2,683,109
	<u>4,950,289</u>	<u>5,690,911</u>
	<u>\$11,653,209</u>	<u>\$10,629,495</u>

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Approved on behalf of the board

Nathan Goodman, *Director*  
Irving B. Goodman, *Director*

# Consolidated statement of changes in financial position

For the year ended December 31, 1977  
(with comparative figures for 1976)

	<u>1977</u>	<u>1976</u>
<b>Source of funds</b>		
Loss before extraordinary item	\$ —	\$ 38,661
Add charges not requiring funds		
Depreciation and amortization	—	168,647
Deferred income taxes	—	53,462
Funds provided from operations	—	183,448
Increase in long term portion of debt	213,319	—
Reduction of note receivable	120,095	1,879,905
Proceeds on disposal of fixed assets	87,162	—
Proceeds from mortgage financing	—	713,672
	<u>420,576</u>	<u>2,777,025</u>
<b>Application of funds</b>		
Loss before extraordinary item	764,818	—
Less charges not requiring funds		
Depreciation and amortization	313,541	—
Deferred income taxes	26,880	—
Funds utilized in operations	424,397	—
Additions to fixed assets	500,034	3,392,412
Grant receivable long term portion	55,981	—
Repayments of long term debt	30,930	—
Purchase of "Interstate division", less net current assets purchased of \$381,947 and note payable of \$980,941	—	1,237,112
Net changes in other assets and liabilities	62,562	23,421
	<u>1,073,904</u>	<u>4,652,945</u>
<b>Decrease in working capital</b>	<u>\$ 653,328</u>	<u>\$1,875,920</u>

See accompanying notes to consolidated financial statements.



# Notes to consolidated financial statements

For the year ended December 31, 1977

(with comparative figures for 1976)

## 1. Accounting policies

These consolidated statements are prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies are summarized below:

### (a) Consolidation

The consolidated financial statements include the accounts of the Company and all its subsidiaries.

### (b) Exchange translation

Current assets and liabilities of a United States subsidiary have been translated into Canadian dollars at year end rates of exchange. Other assets and liabilities are translated at exchange rates prevailing at the dates of acquisition and income and expenses at average rates of exchange in existence during the year. The exchange gain or loss on conversion between currencies is included in the statement of earnings.

### (c) Inventories

Inventories have been valued at the lower of cost and net realizable value.

### (d) Depreciation

The Company records depreciation as follows:

Kind of asset	Basis
Buildings	5% straight line
Equipment and motor vehicles	at various rates over their estimated useful life

### (e) Goodwill

The excess of cost over book value of net assets acquired is being amortized on a straight line basis over forty years.

### (f) Income taxes

The Company follows the tax allocation method of providing for income taxes. Under this method, the cumulative income tax effect of the timing differences between reported and taxable income is shown on the balance sheet as deferred income taxes. At December 31, 1977 there was approximately \$2,800,000 in accumulated losses available for income tax purposes which may be utilized to offset taxable income in future years.

## 2. Grant receivable

In 1976 a contract was entered into with the Province of Quebec, Department of Industrial Development, whereby the Company constructed and equipped a manufacturing plant for the production of aluminum ingots. Under the terms of the contract, the Province of Quebec will pay the Company, by way of a grant, a maximum of \$212,600 towards the cost of financing the plant over a four year period.

## 3. Fixed assets

Fixed assets are classified as follows:

	1977		1976	
	Cost	Accumulated Depreciation	Net	Net
Land	\$ 407,618	\$ —	\$ 407,618	\$ 410,389
Buildings	1,944,410	86,610	1,857,800	1,954,816
Equipment	1,537,725	195,629	1,342,096	1,103,482
Vehicles	381,458	161,110	220,348	204,264
	<u>\$4,271,211</u>	<u>\$443,349</u>	<u>\$3,827,862</u>	<u>\$3,672,951</u>

## 4. Bank indebtedness

The bank indebtedness is secured by an assignment of accounts and note receivable.

## 5. Long term debt

Note payable, 10% payable quarter yearly, maturing, on December 31, 1980	\$1,121,076
Mortgages on real estate, bearing interest at rates varying from 8½% to 9¼% and maturing in various years from 1983 to 1986	688,416
Other	157,399
	<u>1,966,891</u>
Current portion due within one year	88,618
	<u>\$1,878,273</u>

## 6. Capital stock

### (a) Stock options

The Company has reserved 60,000 authorized but unissued common shares for its Stock Option Plan which provides for the granting to officers and key employees, options to purchase common shares of the Company at a price per share of not less than 90% of the market price at the day prior to granting.

### (b) Share purchase plan

The Company has reserved 43,000 authorized but unissued common shares for its share purchase plan for officers and key employees who may purchase fully paid treasury shares at a price not less than market value at the time of purchase.

## 7. Earnings per share

Earnings per share have been calculated based upon the number of share outstanding at the end of the period.

## 8. Remuneration of directors and senior officers

The aggregate direct remuneration paid to directors and senior officers amounted to \$294,000 for the current year and \$285,771 for the year ended December 31, 1976.







